

State Employee Benefits Committee
Friday, January 24, 2014 at 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on January 24, 2014, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB
Brenda Lakeman, Director, OMB, SBO
Faith Rentz, Deputy Director, OMB, SBO
Casey Oravez, OMB, Financial Operations
Dawn Guyer, OMB, Financial Operations
Leslie Ramsey, OMB, SBO
Dawn Davis, OMB, SBO
Stuart Wohl, Segal
Emily Klubock, Segal
Kimberly Reinagel-Nietubicz, CGO
Valerie Watson, Department of Finance
David Craik, Pension Office
Henry Smith, III, DHSS
Chip Flowers, Treasurer
Kelly Callahan, Office of the Treasury
Jennifer Mossman, Highmark DE
Jackie Rhoads, Highmark DE
Joe Morocco, HMS
Mike North, Aetna
Amy Quinlan, AOC
Carrie Schiavo, Delta Dental

Ronald Burrows, DRSPA
Leighann Hinkle, OMB
Paula Roy, Roy Assoc.
Kim Hawkins, City of Dover
Scott Koenig, City of Dover
Jim Testerman, DSEA-R
James Harrin, DSEA-R
Lisa Carmean, City of Milford
Toni Reed, University of DE
Alexis Bryan, OMB
Claudia Hughes, DSEA-R
Karol Powers-Case, DRSPA
Sandy Richards, AFSCME-R
Richard Phillips, DSEA-R
Julie Caynor, Aetna
Karin Faulhaber, PHRST

Introductions/Sign In

Director Visalli called the meeting to order at 2:10 p.m. Anyone who had public comments was invited to sign-in and any others wishing to comment would be given the opportunity at the end of the meeting. Introductions were given around the room.

Approval of Minutes

Director Visalli requested a motion to approve the minutes from the January 6, 2014 SEBC meeting. Mr. Henry Smith made the motion and Ms. Valerie Watson seconded the motion. Upon unanimous voice vote the minutes were approved.

Director's Report – Brenda Lakeman

Ms. Lakeman commented that there were some glitches with the Medicare Part D prescription benefit in early January. Express Scripts missed loading the enhanced benefits, but this was quickly corrected and claims were reprocessed. In addition, Express Scripts mailed out letters to approximately 2,600 Medicare Part D Pensioners regarding formulary changes that did not apply to them. It was determined not to send out another letter to this population. The Pension Office is taking most of these calls and has a list of those affected.

In regards to Requests for Proposals (RFP), the Proposal Review Committee (PRC) interviewed Prudential/Sedgwick and incumbent, The Hartford on January 9, 2014. Both provided their best and final pricing offers. The PRC will meet on Thursday, January 30 to score the vendors and the award recommendation will be brought before the SEBC in early February. The RFP for administration of the Flexible Spending and Pre-Tax Commuter programs will advertise in early February for a January 1, 2015 effective date.

Director Visalli announced that Senate Bill 21 will likely be signed by Governor Markell and will require Lieutenant Governor Denn as well as an appointed union representative to serve on the SEBC.

Group Health Financials – handout

Ms. Oravez reviewed and discussed the December 2013 Fund and Equity Report. It was noted that the December fund balance has increased from the balance in November. The FY13 Medicare Retiree Drug Subsidy funds in the amount of \$6.5M were transferred out of the fund and into the OPEB Trust. In addition, there are outstanding Med D/EGWP payments owed to the fund in the amount of \$13.8M.

Mr. Wohl, Segal, reviewed in detail the estimates and timing of when the outstanding Medicare Part D Prescription Drug plan (Med D/EGWP) payments would be returned to the health fund. The three refund components of Med D/EGWP were outlined and consist of a monthly direct subsidy, a quarterly coverage gap or donut hole payment and an annual Federal Reinsurance component which is not paid until nearly one year following close of the plan year attributable to the reinsurance payment.

Group Universal Life Insurance Program Update - handout

Ms. Lakeman reviewed the Life Insurance Market Update presentation. An overview and characteristics of the current plan were discussed. It was explained that the ability for pensioners and former employees to port 50% of their life insurance is a very unique option.

Ms. Klubock, Segal, commented that the Segal Company performed a worksite universal life insurance market survey to gather data on industry practices. The survey did not disclose the State's name or any information that might lead a carrier to conclude that the survey was for the State of Delaware. Segal contacted nine companies which included Prudential, MetLife, Allstate, Transamerica, Trustmark, UNUM, New York Life, Standard and Aetna. Segal did not pursue the survey with New York Life, Standard and Aetna because they do not service large employers.

Results varied amongst the remaining six insurance companies surveyed. Companies typically have an "actively at work" clause for enrollment, presenting a challenge for them to offer coverage to the State's disabled enrollees, retirees and former employees. Prudential and MetLife indicated they can work with ported enrollees but accepting them will require underwriting. Director Visalli asked if it was known as to whether Minnesota Life continues to offer a portable option for new clients. The answer was not known. Treasurer Flowers inquired as to any information available regarding the caps or limits of coverage typically available through the companies surveyed. Ms. Lakeman commented that there are many options that can be explored and discussed.

Ms. Lakeman commented that in order to gain a better understanding of the types and amounts of life insurance programs sponsored by other states Ms. Ramsey and Ms. Evans of the Statewide Benefits Office gathered information from thirty other states. It was concluded that there is a vast array of portability and conversion provisions sponsored by the states as well as both individual and group coverage options. It is recommended that the Statewide Benefits Office move forward with a Request for Proposal later this year for a contract effective date of July 1, 2015. It is also recommended that the life insurance Open Enrollment period be concurrent with the medical Open Enrollment in an effort to bring more attention to the benefit which employees can enroll in at any time subject to evidence of insurability.

Fiscal Year 2015 Plan Design Considerations – handout

Ms. Rentz presented a review of cost savings options for the prescription plan and advised that no decisions were expected at this time. A Request for Proposal for Prescription Benefit administration must be released in mid-2015 for a July 1, 2016 effective date. A brief description and estimated cost savings for each option follow:

National Preferred Formulary Effective July 1, 2014

- Savings \$4.0M
- Twenty-nine drugs will be excluded from the formulary and impact estimated 4,492 members
- Intense communication will begin in February 2014

- Appeal process can be imposed to address exceptions

Compound Medication Coverage Review

- Savings \$0.45M
- Significant increase in costs in FY2013 (\$300,000 in FY2012 increased to \$1.0M in FY2013)
- Five specific compound ingredients not controlled by Federal Drug Administration (FDA)
- Potential safety concerns
- Consider imposing Coverage Review and require prescribing physician to authorize that specific compound ingredients are medically necessary or subscribe FDA approved alternative

Advanced Utilization Management – currently referred to as Coverage Review

- Savings \$1.9M
- Current examples of Coverage Review include Step Therapy (ST), Quantity Management/Limits (QM) and Prior Authorizations (PA)
- Current practice requires SEBC to approve Express Scripts recommendations of certain medications most appropriate and most cost effective therapy on an individual or case by case basis
- Effective FY15, Express Scripts offers Advanced Utilization Management
 - a bundled package that includes groups of medications subject to ST, QM and PA
 - adds ability for automatic updates as new medications enter the market, appropriate rules will automatically assign
 - includes inflation protection
 - no impact to current users who would be grandfathered
 - SEBC would no longer need to approve individual recommendations for medications in certain drug classes

There were no questions from the SEBC members.

SEBAC Comment

None.

Public Comment

Mr. Richards, AFSCME-R, expressed concern that the June SEBC meeting is scheduled on the same date as the Firefly concert at Dover Downs. He asked if the SEBC meeting could be rescheduled due to possible traffic congestion.

Mr. Phillips, DSEA-R, was thankful that the DelaWELL University classes have been expanded to include Medicare eligible pensioners. He commented that Aaron Schrader is very entertaining and knowledgeable.

Director Visalli reminded everyone that the next SEBC meeting would be on February 7, 2014. Director Visalli asked for a motion to adjourn the meeting. Mr. Smith made the motion and Treasurer Flowers seconded. With unanimous voice approval the motion carried. The meeting adjourned at 3:00 pm.

Respectfully submitted,

Dawn M. Davis
Executive Secretary
Statewide Benefits Office, OMB